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SUBJECT: UNRWA MAY 21-22 DONORS MEETING: BUDGET  
SHORTFALLS, WEST BANK AND GAZA WOES, AND CONTINUING US  
EFFORTS ON TEXTBOOKS AND TERRORISM

REF: TEL AVIV 2916

Classified By: PolCouns Doug Silliman, per 1.5 (b) and (d).

1. (U) Summary: UNRWA's May 21-22 meeting of major donors and host governments revealed an agency in an atypically sound cash-flow position but troubled by overall budget shortfalls and underfunded emergency needs in the West Bank and Gaza, with only USD 25 million received against its current USD 94 million emergency appeal. UNRWA reported that Israeli security restrictions in the West Bank and Gaza continue to impede the agency's ability to provide basic services and emergency humanitarian assistance. In response to donor requests for more technical discussions, UNRWA updated donors on initiatives in the relief and social services and education departments (including the US-funded tolerance project), announcing that it had secured USD 5.6 million in funding for its long-planned Palestine refugee record project. In meetings and a visit to Fawwar refugee camp held on the margins of the UNRWA meeting, PRM PDAS Greene briefed UNRWA and GOI officials on the US Government's continuing efforts to balance humanitarian assistance, stability and security needs in the Palestinian refugee context. End summary.

2. (U) UNRWA held its semiannual meeting of major donors and host governments May 21-22 in Amman. The US Delegation included Ambassador Gnehm, PRM PDAS Richard Greene, Regional Refugee Coordinator and Refugee Assistant. At the meeting, Ambassador Gnehm announced an initial US contribution of USD 80 million to UNRWA's General Fund and a separate USD 15 million contribution to UNRWA's emergency appeal.

General Fund Finances: Improved Cash-Flow but Funding Gap Remains

3. (U) UNRWA ComGen Hansen reported that the agency is in its best cash-flow situation in recent years, due largely to an early General Fund payment from the European Commission, which previously made its payments at the end of the calendar year. Unexpected exchange rate gains, savings from management reforms and a USD 4 million repayment of VAT owed by the Palestinian Authority have also improved the agency's financial posture. Nevertheless, UNRWA still expects to face a USD 55 million funding gap for calendar year 2003. The US and European Commission delegations asked UNRWA for a qualitative assessment of the effects of the projected funding gap and an explanation of how UNRWA prioritizes programming in such circumstances. Hansen responded that reductions in maintenance spending and staff salaries (e.g., the 1999 staff salary rules) bore the brunt of funding shortfalls.

4. (U) PRM PDAS Greene asked whether UNRWA would consider merging the West Bank and Gaza emergency programs into the General Fund, eliciting a relatively spirited debate among donors and host governments. Hansen responded that the agency would continue to need additional funds for emergency programming in the West Bank and Gaza as long as the current situation continued. He added that the agency believed it was easier for donors to respond to these needs if they continued to be cast as extraordinary, extrabudgetary needs. Several donors, including Australia, Sweden, Germany and Norway noted that they have an easier time providing emergency funding than convincing their parliaments to increase annual General Fund contributions to UNRWA. Syria and Jordan expressed concern that inclusion of emergency West Bank and Gaza programming in UNRWA's General Fund budget could undercut support for Palestinians in UNRWA's other three fields of operations.

Impact of Chronic Underfunding

5. (U) Deputy ComGen Karen AbuZayd briefed donors on a study conducted by UNRWA's Policy Analysis Unit, analyzing the effects of an estimated USD 570 million in unfunded needs since 1990. Although UNRWA's annual income has increased by 24 percent since 1990, the Palestinian refugee population has increased by 62 percent in the same period due largely to spikes in UNRWA registration rolls following the 1990-1 Gulf

War and the Oslo peace accords. UNRWA reports that due to chronic underfunding, its spending per refugee has dropped from USD 99 per refugee in 1990 to USD 73 per refugee in 2002. Cost-cutting measures such as the 1999 area staff rules (reducing UNRWA Palestinian staff salaries) have doubled both the number of resignations per year and the recruitment time required to fill vacant positions. UNRWA reported that chronic underfunding has had a significant, negative impact on education programs, requiring double-shifting in almost all schools in Jordan and Syria and leaving UNRWA schools unable to keep up with local educational norms, such as the introduction of computer science classes. Underfunding has also required UNRWA to decrease its health expenditures (from USD 20 per refugee per year in 1990 to a current USD 13 per refugee) and its relief services, limiting special hardship cases to just six percent of the refugee population, down from seven percent in 1990.

#### West Bank and Gaza Emergency Programs -- Needs Remain Great, Funds Remain Short

16. (U) Hansen characterized the current situation in the West Bank and Gaza as "the most difficult in recent years." 150 Palestinian fatalities occurred in the first four months of 2003, a 45 percent increase over the same period in the last two years. Hansen reported that 12,700 Palestinians have become homeless since September 2000 due to Israeli home demolitions with an "alarming" increase in demolitions in the last three months. According to the World Bank, 50 percent of Palestinians in the West Bank live below the poverty line while the number in Gaza reaches nearly 75 percent. However, poor donor response to UNRWA's emergency appeal -- a mere USD 25 million received of the USD 94 million requested -- has hampered UNRWA's ability to respond to the crisis. Hansen said that limited funding has required UNRWA to reduce its emergency food distributions and temporary jobs programs. Separately, UNRWA West Bank Deputy Director Guy Sirri told PRM PDAS Greene during a May 20 visit to Fawwar refugee camp that UNRWA was forced to cancel 300 direct hire temporary jobs on April 1, due to limited funding.

17. (U) UNRWA West Bank Director Richard Cook reported that the effects of nearly 32 months of violence and growing Palestinian poverty are increasingly obvious in UNRWA schools. (UNRWA began its presentation on West Bank and Gaza emergency programming with a short film on an UNRWA student injured at her school desk during clashes in Khan Younis refugee camp.) UNRWA teachers are reporting increasing signs of psychological distress such as speech impediments, bedwetting and psychosomatic problems. Increasing numbers of UNRWA schoolchildren are arriving at school hungry. Children's classroom time continues to be cut short by closures and curfews; Cook reported that UNRWA lost a total of 82,000 staff days in 2002, an average of 1,000 staff days per West Bank school. West Bank Education Director Lamis Alami separately told PDAS Greene during a May 20 camp visit that only 28 percent of UNRWA's West Bank schools met the minimum requirement of being open for a full 200 working days during the 2001-2 school year. Alami added that although test scores are falling, UNRWA can only hold back five percent of its students per year due to limited classroom space. Cook told donors that academic performance is worst in schools that have been hardest hit by violence. In UNRWA's Tulkarm schools, for example, only 27 percent of students achieved a passing score on recent Arabic language tests, compared to 75 percent of students in nearby NurShams camp, which has been relatively isolated from the violence.

#### Access Difficulties Continue in West Bank and Gaza

18. (U) Hansen told donors that UNRWA continues to experience severe access difficulties, with 124 of 151 recent access problems in the West Bank and Gaza involving UNRWA staff. New Israeli restrictions on international staff movement in and out of Gaza (ref) were particularly difficult for the agency. Hansen told donors that UNRWA had accrued USD 20 million in direct or indirect losses due to closures and other Israeli security measures implemented since September 2000.

19. (U) West Bank Director Cook reported that the new IDF liaison system for humanitarian agencies had not resulted in access improvements on the ground. Cook cited the April 2003 occupation of UNRWA's Tulkarm girls school, the May 2003 shooting of an UNRWA bus driver in Deir Ammar, and several separate incidents in which IDF soldiers at checkpoints held guns to the heads of UNRWA international staff members as a few examples of deteriorating operating conditions for UNRWA staff. Cook told donors that he believes the IDF's failure to hold individual soldiers responsible for their actions is largely responsible for UNRWA's growing access problems. Cook added that the Israeli government's security wall will worsen UNRWA's access problems. 21 UNRWA installations,

including the West Bank field's sole hospital at Qalqiliya, will be completely isolated by the wall.

¶10. (U) PRM PDAS Greene noted that the US has raised access issues with the Israeli Government since the onset of the current difficulties and would continue to do so. However, it is important for donors and host governments to remember the context of the current situation; closures and other Israeli security measures are implemented in response to terrorist attacks. Five suicide bombings in the 48 hours preceding the UNRWA meeting cannot be forgotten or ignored. Hansen agreed, telling donors that Jordanian Foreign Minister Muasher's opening remarks regarding the need for a political solution to end the violence, including immediate implementation of the Quartet's roadmap, set the tone for the larger context in which UNRWA issues should be considered.

#### Technical Sessions and Workshops

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¶11. (U) In response to donor requests for more technical discussions in the semiannual meetings, UNRWA's Directors of Relief and Social Services (RSS) and Education presented separate briefings on new initiatives in their departments. Replicating last spring's successful workshop model, UNRWA also held smaller discussions on its Neirab/Ein Al Tal rehousing project, its emergency programming priorities and access issues. RSS Director Beth Kuttub announced that UNRWA had secured USD 5.6 million in funding for its long-planned Palestine refugee records project, enabling the agency to simultaneously update its registration system and preserve the 1948 refugees' original documentation. The United Kingdom, Switzerland, Canada, Saudi Arabia and the ruler of Sharja pledged money to the project. Education Director Kabir Shaikh updated donors on the US- and German-funded tolerance education projects, announcing that 80 schools in five fields were participating in the projects on a pilot basis, involving 587 staff and 42,000 students. Shaikh also announced that the UK's Quality Assurance Project had been implemented in 376 schools. The Syrian delegation noted that all new UNRWA education initiatives must be closely coordinated with host governments, as UNRWA schools are obliged to follow host governments' curricula.

#### Textbooks and Terrorism: Bilateral Meetings with Israeli and UNRWA Officials on Margins of Meeting

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¶12. (C) In separate meetings held on the margins of the donors meeting and in Israel prior to the meeting, PRM PDAS Greene briefed UNRWA and GOI officials on the US Government's continuing efforts to balance humanitarian assistance, stability and security needs in the Palestinian refugee context. He assured GOI Legal Adviser Alan Baker on May 20 that the USG was working to ensure that UNRWA was taking "every possible measure" to ensure its programs and installations remain free from outside influences and that its beneficiaries have not engaged in terrorism. Baker responded that the GOI continues to be troubled by the very public, political positions taken by UNRWA ComGen Peter Hansen. Hansen's published articles, "critical of Israel," are a negative influence on GOI officials responsible for dealing with UNRWA. On the more serious charges of UNRWA complicity in terrorism, Baker said that he "doesn't know" whether UNRWA is actively preventing armed activity in West Bank and Gaza refugee camps. He explained that, in the aftermath of his very public criticism alleging UNRWA complicity several months ago, he had not been following the issue very closely.

¶13. (C) Baker also asserted that UNRWA is not undertaking activities to reduce incitement in its schools. He told Greene that incitement is an integral part of terrorism that must be addressed by all parties providing assistance to the Palestinians, including UNRWA. (During a May 20 visit to Fawwar refugee camp, UNRWA West Bank officials told Greene that the agency works successfully to keep political materials out of its installations but has a difficult time keeping them off outside walls. Some exterior walls of UNRWA installations in Fawwar camp, for example, were spray-painted with Hamas graffiti.)

¶14. (SBU) In a May 21 meeting, UNRWA ComGen Hansen and Deputy ComGen AbuZayd told Greene that UNRWA continues to take seriously the charges of incitement in Palestinian textbooks and has begun its own internal review of PA textbooks. The agency also continues to implement the US-funded tolerance project, viewing it as an important supplementary teaching tool. Hansen and AbuZayd assured Greene that UNRWA "never" resorted to public statements critical of Israel as a first approach to problem solving; they asserted that UNRWA issued public statements only in "grave situations," where UNRWA had been unable to resolve differences via quiet diplomatic channels. AbuZayd also told Greene that UNRWA welcomed the imminent US General Accounting Office (GAO) investigation of UNRWA programs and procedures

and was eager to facilitate the GAO's work.

15. (U) PRM PDAS Greene, ConGen Jerusalem and Embassy Tel Aviv cleared this message.  
GNEHM